



WEEKLY ECONOMIC DIGEST

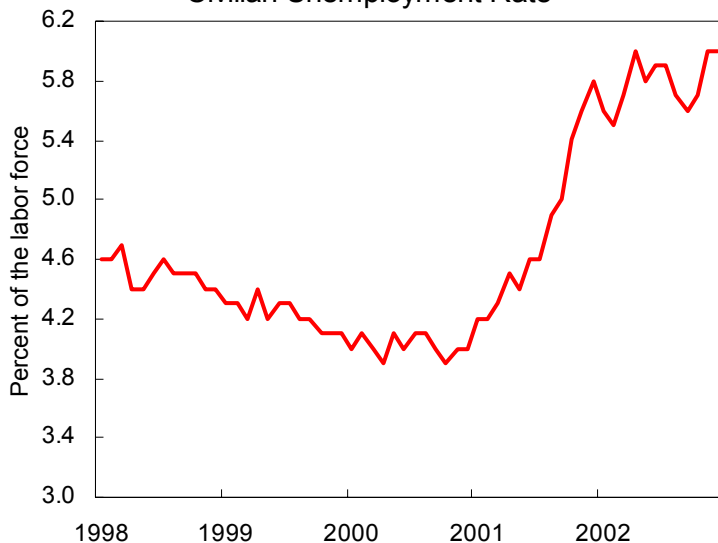
JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI)



January 14, 2003

Employment Conditions Remained Weak in December

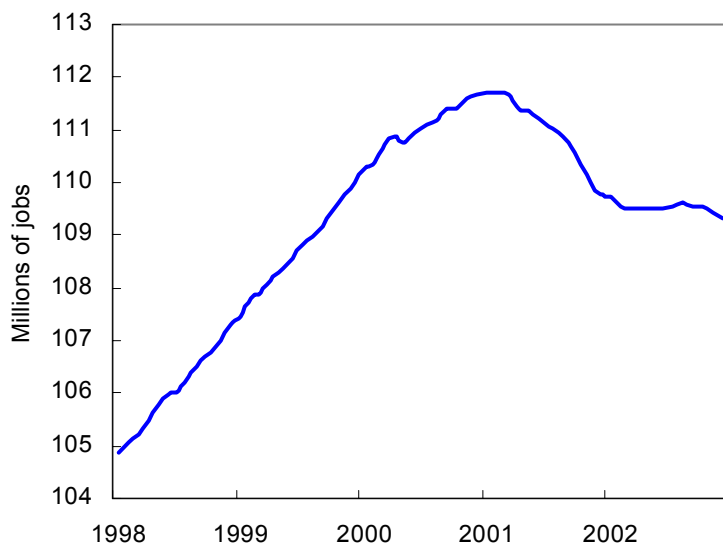
Civilian Unemployment Rate



Source: Bureau of Labor Statistics, U.S. Department of Labor.

- **The unemployment rate remained at an eight-year high.** The civilian unemployment rate remained at 6 percent in December, its highest level since mid-1994. The year ended with 8.6 million people unemployed. Joblessness was particularly acute among minorities. For example, the unemployment rate for blacks rose to 11.5 percent in December, its highest level since 1994.
- **Nonfarm payroll employment shrank.** The number of jobs at nonagricultural establishments dropped by 101,000 in December, after falling by 88,000 in November. Total payroll employment at the end of 2002 was slightly lower than the already depressed level that prevailed at the end of 2001. Financial market forecasters had anticipated a small rise in payrolls, but sharp drops in retail trade and manufacturing employment overwhelmed modest gains in other private services and government.

Private Nonfarm Payrolls



Source: Bureau of Labor Statistics, U.S. Department of Labor.

- **Hours worked declined slightly.** Aggregate weekly hours worked in private nonfarm establishments—an important indicator of overall production—dropped by 0.2 percent in December, its third consecutive monthly decline. Hours were 0.3 percent below their level a year ago. December's drop reflected both declining payrolls and a small drop in the average work-week.
- **Hourly earnings rose in December.** The average hourly earnings of workers on private nonfarm payrolls rose by 0.3 percent last month. Overall wage and salary income probably changed little last month, as that increase in earnings most likely offset the decline in hours. In 2002, earnings rose by 3.2 percent, down somewhat from the 4 percent pace of 2001 but still well ahead of inflation in the Consumer Price Index.

Economy At A Glance	Dec	Nov	Oct	Sep	2002 Qrt 4	2002 Qrt 3	2002 Qrt 2	2002 Qtr 1	2002	2001
Economic Activity										
Real GDP (% growth)						4.0	1.3	5.0		0.3
Industrial Production (% growth)*		1.2	-7.0	0.0		3.4	4.4	1.4		-5.7
Capacity Utilization (Level, %)*		75.6	75.5	76.1		76.2	75.7	75.1		77.3
Civilian Unemployment Rate (Level, %)	6.0	6.0	5.7	5.6	5.9	5.7	5.9	5.6	5.8	4.8
Housing Starts (Thousands)		1697	1657	1808		1697	1667	1725		1603
Real Disposable Personal Income (% growth)		3.7	2.4	2.4		3.1	3.9	14.5		1.8
Retail Sales (% growth)*		4.9	1.2	-16.6		6.5	4.3	-3.6		3.9
Personal Saving Rate (Level, %)		4.3	4.4	4.4		3.8	4.0	3.5		2.3
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)*		1.2	3.7	2.4		1.9	3.4	1.4		2.8
Core CPI-U Inflation (% growth)*		2.4	2.4	1.2		2.0	2.2	2.3		2.7
Compensation per Hour (% growth)						2.4	4.5	3.6		4.1
Output per Hour (% growth)						5.1	1.7	8.6		1.1
Financial Markets										
T-Bill Rate, 3-month (Level, %)	1.2	1.2	1.6	1.6	1.3	1.6	1.7	1.7	1.6	3.4
T-Note Rate, 10-years (Level, %)	4.0	4.1	3.9	3.9	4.0	4.3	5.1	5.1	4.6	5.0
Federal Funds Rate (Level, %)	1.2	1.3	1.8	1.8	1.4	1.7	1.8	1.7	1.7	3.9
Dow Jones Industrial Avg (Index level)	8527	8626	8048	8161	8400	8488	9913	10105	9226	10189

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

* Subject to revision this week.

Upcoming Economic Releases:

- **Import and Export Price Indexes, December** [Release: Tuesday, January 14]
- **Advanced Monthly Sales for Retail and Food Services, December** [Release: Tuesday, January 14]
- **Producer Price Indexes, December** [Release: Wednesday, January 15]
- **Consumer Price Indexes, December** [Release: Thursday, January 16]
- **Industrial Production and Capacity Utilization, December** [Release: Friday, January 17]